

**RECONSTRUCTION AND IMPROVEMENT PROGRAM  
IN THE WAKE OF HURRICANE GEORGES**

**(DR-0135)**

**EXECUTIVE SUMMARY**

<b>BORROWER AND GUARANTOR:</b>	The Dominican Republic	
<b>EXECUTING AGENCY:</b>	Technical Secretariat, Office of the President of the Dominican Republic, supported by a Program Coordinating Committee, and by intermediary of sectoral executing units	
<b>AMOUNT AND SOURCE:</b>	IDB:	US\$105.0 million (OC)
		US\$ 21.9 million (OC/IFF)
	Local counterpart contribution:	US\$ 12.0 million
	Total:	US\$117.0 million
<b>FINANCING TERMS AND CONDITIONS:</b>	Amortization period:	25 years
	Grace period	2 years
	Disbursement period:	2 years
	Interest rate:	Variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars, Single Currency Facility
<b>OBJECTIVES:</b>	<p>The purpose of the program is to restore parts of the country's infrastructure and economic flows that were hard hit by Hurricane Georges, with an emphasis on aid to the poor, disaster prevention, and involvement of the populace in prevention initiatives. The specific objectives are: (i) to rebuild social and production infrastructure damaged by the hurricane, in sectors agreed upon with the Dominican government; (ii) to support the reconstruction effort in low-income communities on whom the hurricane has taken a particularly severe toll; (iii) to avert macroeconomic deficits, protecting recurrent social expenditure; and (iv) to strengthen disaster-prevention arrangements, land-use planning, and rational use of natural resources.</p>	
<b>DESCRIPTION:</b>	<p>In pursuit of the foregoing objectives, the program has been divided into the following four components: (i) infrastructure reconstruction and improvement subprogram (US\$20.3 million), including repair of high-voltage towers in the power transmission system in the East and rehabilitation of waterworks and plant of town and city water-supply systems; (ii) low-income communities</p>	

support subprogram (US\$30 million), to help repair, rehabilitate, and rebuild social, productive, and institutional infrastructure in low-income communities that sustained damage; (iii) subprogram to support recurrent social expenditure (US\$30 million), to defray costs of social programs targeted at poverty and indigence, in order to safeguard children's welfare and assure community kitchen operation, essential drugs, etc.; and (iv) subprogram for bolstering disaster prevention and land-use planning (US\$3.8 million), which will among other things help rebuild forests, ecotourism infrastructure, and flood control works, and institute a national land-use plan. Proceeds of the loan will also be used as implementation support, given the special needs of this operation (US\$5 million). In parallel with the loan proposed herein, a nonreimbursable technical-cooperation operation (TC-98-09-49-5-DR) is being processed, its objective being institutional strengthening of the coordination, management, and control mechanisms planned both for execution of the program proposed here (DR-0135) and for reprogrammed components of previously-approved IDB operations from which funds will be shifted to aid in the rehabilitation effort.

**RELATION TO THE  
BANK'S COUNTRY  
STRATEGY:**

Two of the core action vectors in the Bank's present strategy for operations with the Dominican Republic are to help foster equity and preserve macroeconomic stability. The proposed program fits within this strategy, supporting as it does actions to combat poverty in the country, which is worsening in the wake of the hurricane, and to help keep the fiscal accounts in balance by way of support for recurrent social spending. The program likewise pursues the objectives of the Bank's natural-disasters policy by promoting measures to contain losses and build capacity in the country so as to leave it less vulnerable to disasters and better equipped to respond to emergencies ensuing from natural calamities. The proposed operation is also concordant with Dominican national policy in accordance with Decree 353-98 of September 23, 1998, which declared a national state of disaster.

**ENVIRONMENTAL  
AND SOCIAL REVIEW:**

Given the devastation wrought by the hurricane, this reconstruction program and the Bank's general strategy in response to the emergency can be expected to have a positive impact on the environment and bring considerable social benefits. Sound measures to rebuild and improve productive and social infrastructure and community organization afford an opportunity to enhance the quality of life of Dominicans and strengthen environmental parameters. In order to ease any environmental impacts of the rehabilitation and reconstruction work, a set of eligibility and environmental design criteria have been devised and built into the program's Operating Regulations. Construction work will be carried out using designs that have been adjusted to take account of building standards and codes such as can lessen the risks of disaster to which the country is prone. In the

component to assist poor communities, established environmental systems and procedures will be applied, which are appropriate for the type of actions envisaged in the program. The sectoral executing unit will use proceeds of the loan to strengthen its environmental unit.

The planned measures to assist poor communities, investments in the production apparatus, and support for macroeconomic stability and recurrent social expenditure will help attenuate the hurricane's direct negative effects on those of fewest means, as well as its potential indirect effects in the form of inflation and currency devaluation.

**BENEFITS:**

The proposed activities will benefit those who are suffering in the wake of Hurricane Georges, by way of actions to remedy the deterioration this disaster has caused in their living standard and through mechanisms to help with economic, social, and environmental recovery. Support to prevent and reverse destruction of the country's physical infrastructure and to restart and maintain the movement of goods and persons are important benefits of the program. Other, more long-range, benefits will be the strengthening of mechanisms and institutions that can help the country plan for and respond to emergencies triggered by disasters of this scale.

**RISKS:**

The main risk has to do with the country's capacity to absorb and expend funds, given the history of difficulties in the Bank's portfolio and the manifest management weakness of government institutions. Safeguard: One cornerstone of the operation is participation by nongovernmental organizations (NGOs), women, and civil society organizations, as well as local authorities and the private sector, to channel resources earmarked for reconstruction work, particularly in low-income communities. Another is more streamlined and flexible procurement and disbursement procedures than those usually required, together with high-level management support for the program's implementation, to ensure expeditious use of the funds.

There is a risk that more flexible procurement procedures might occasion misappropriations of disbursement monies. Furthermore, the highly confrontational political climate at present might also bring with it pressure for use of program funds for political advantage. Safeguard: The special implementation arrangement devised for the program includes civil-society and private-sector monitors in the proposed coordinating body, to provide a filter as to quality and social legitimacy of the program's processes and outputs, as well as concurrent audit arrangements to assure transparency without impeding the expeditious use of the emergency funds.

**SPECIAL  
CONTRACTURAL  
CONDITIONS:**

**Conditions precedent to the first disbursement:** (i) setup of the Program Coordinating Committee (see paragraphs 3.2 and 3.3 of the proposal which follows); (ii) selection, to the Bank's satisfaction, of a consulting firm for management support and a consulting firm for concurrent auditing (see paragraphs 3.6 and 3.7); (iii) opening of a special program account in the Central Bank of the Dominican Republic (see paragraph 3.9); and (iv) entry into force of the program Operating Regulations (see paragraph 3.12).

**Contract covenants:** (i) retroactive financing and recognition of expenses (see paragraph 3.15); (ii) presentation of progress, concurrent audit, monitoring, technical-operational, and financial reports (see paragraphs 3.23ff); (iii) a revolving fund of up to the equivalent of 10% of the loan proceeds; and (iv) reimbursement of up to US\$30 million in government outlays for social programs as from the declaration of the state of emergency, based on a list of activities and programs agreed upon with the Bank.

**POVERTY  
TARGETING:**

The program classifies as a poverty-targeted investment because its object is to tackle reconstruction work and improvements in areas of the country that are home to a higher percentage of the poor (57%, before the hurricane) than the total country percentage. Considering that at least 297,000 people are believed to have been affected by the disaster, this percentage has likely increased. The reconstruction specifically takes into consideration the hurricane's impact on this population; the institutional and preventive actions will primarily benefit the population of the stricken areas, to help alleviate the deterioration in their living conditions and strengthening women's involvement. Funds to support poor communities will be allocated ex ante to participating municipalities using a formula based on the following criteria: (i) poverty level, (ii) severity of the hurricane damage, and (iii) needs created by the disaster.

**EXCEPTIONS TO  
BANK POLICY:**

See the following section on procurement.

**PROCUREMENT:**

Given the nature of the emergency triggered by the hurricane, it is recommended: (i) that authorization be given for limited tendering to select the management firm and auditing firm that will assist in the program's implementation (see paragraphs 2.23, 2.24, and 3.7), and (ii) that, during program execution and through December 31, 1999, tendering procedures for the program be streamlined (see paragraph 3.16), with the following rules to apply:

International competitive bidding will be mandatory for procurement costing more than the equivalent of: (i) US\$300,000 for goods; (ii) US\$3,000,000 for infrastructure works; and (iii) US\$200,000 for consulting services. Prequalification will not

be necessary to commission construction projects or purchase goods. Contracts worth over US\$3 million are anticipated only for the rebuilding of electric transmission towers. Accordingly, given the state of emergency, for that case a limited call for tenders would be arranged, inviting bids from companies that had taken part in a previous, similar call for offers.

Limited tendering for the procurement of goods and contracting of works whose cost is below the thresholds mentioned above, with no restrictions on the participation of international companies.

Direct contracting. This method may be used for construction or consulting-firm contracts worth less than US\$100,000 and goods costing less than US\$25,000.

Publicity. The General Procurement Notice will need to be published only in *Development Business*. Specific procurement notices will be published in Dominican national newspapers and on the Internet.